

Subject to Legal Review for Accuracy, Clarity, and Consistency
Subject to Authentication of English and Spanish Versions
Draft 8 May 2006

Annex 2.3

Tariff Elimination

1. Except as otherwise provided in a Party's Schedule to this Annex, the following staging categories apply to the elimination of customs duties by each Party pursuant to Article 2.3.2:
 - (a) duties on originating goods provided for in the items in staging category A in a Party's Schedule shall be eliminated entirely and such goods shall be duty-free on the date this Agreement enters into force;
 - (b) duties on originating goods provided for in the items in staging category B in a Party's Schedule shall be removed in five equal annual stages beginning on the date this Agreement enters into force, and such goods shall be duty-free, effective January 1 of year five;
 - (c) duties on originating goods provided for in the items in staging category C in a Party's Schedule shall be removed in ten equal annual stages beginning on the date this Agreement enters into force, and such goods shall be duty-free, effective January 1 of year ten;
 - (d) duties on originating goods provided for in the items in staging category D in a Party's Schedule shall be removed in fifteen equal annual stages beginning on the date this Agreement enters into force, and such goods shall be duty-free, effective January 1 of year fifteen;
 - (e) duties on originating goods provided for in the items in staging category E in a Party's Schedule shall remain at base rates during years one through ten. Beginning on January 1 of year eleven, duties shall be reduced in seven equal annual stages, and such goods shall be duty-free, effective January 1 of year seventeen;
 - (f) originating goods provided for in the items in staging category F in a Party's Schedule shall continue to receive duty-free treatment; and
 - (g) duties on originating goods provided for the items in staging category T in a Party's Schedule shall be removed in eleven equal annual stages beginning on the date this Agreement enters into force, and such goods shall be duty-free, effective January 1 of year eleven.

2. The base rate of customs duty and staging category for determining the interim rate of customs duty at each stage of reduction for an item are indicated for the item in each Party's Schedule.

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3. Interim staged rates shall be rounded down, at least to the nearest tenth of a percentage point, or, if the rate of duty is expressed in monetary units, at least to the nearest 0.001 of the official monetary unit of the Party.
4. For purposes of this Annex and a Party's Schedule, **year one** means the year this Agreement enters into force as provided in Article 23.4 (Entry into Force).
5. For purposes of this Annex and a Party's Schedule, beginning in year two, each annual stage of tariff reduction shall take effect on January 1 of the relevant year (or, in the case of a good provided for in the subheadings listed in paragraph 7(d) of Appendix I to Peru's Schedule to this Annex, on the first day of the relevant marketing year).